

# ***Headquarters U.S.A.F.***

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***Integrity - Service - Excellence***

## ***IT Commodity Management: The Road Ahead***



**Brief to: Mr. John  
Gilligan  
AF CIO**

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# A New Approach

## The Procurement Process

### The Past

**Incremental, tactical contracts**

**Focus on getting wide variety of products**

**Manual processes and governance**

**Limited participation by user in strategy development**

### Future

**Strategic sourcing/ enterprise contracts**

**Focus on strategic enterprise goals and vision**

**E-Business experts leveraging technology**

**Direct user involvement in strategy development**



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# Air Force Contracting Goals

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- **Alignment of policies, processes, people and technologies in support of an overall procurement vision**
  - **Exploit industry best practices and technology to leverage AF spend**
- **Strategic vs. tactical purchasing**
- **Training and people development**
  - **Geared towards e-enabled strategic procurement**
- **Streamlined and flexible policy**
  - **Must support AF transformation objectives and foster considered risk taking**



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# Air Force CIO Goals

- **Leverage IT to support and improve Air Force processes to increase both efficiency and effectiveness**
- **Ensure the Air Force takes advantage of state-of-the-art IT and best commercial practices**
- **Ensure responsible stewardship of Air Force financial resources being spend on information management and related information technology**



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# **IT Commodity Management Vision**

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- **Achieve cost savings and performance improvements by leveraging commodity volumes across the Air Force**
  - **Improve customer support**
  - **Reduce purchase cost of items**
  - **Increase quality of goods and services**
  - **Accelerate delivery responsiveness**
- **Implement the 'Commodity Council' concept within the AF**
  - **Eliminate duplication of effort**
  - **Minimize supply chain costs through integration / collaboration**
  - **Demonstrate the power of leveraged purchasing**



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# **IT Commodity Council Objectives**

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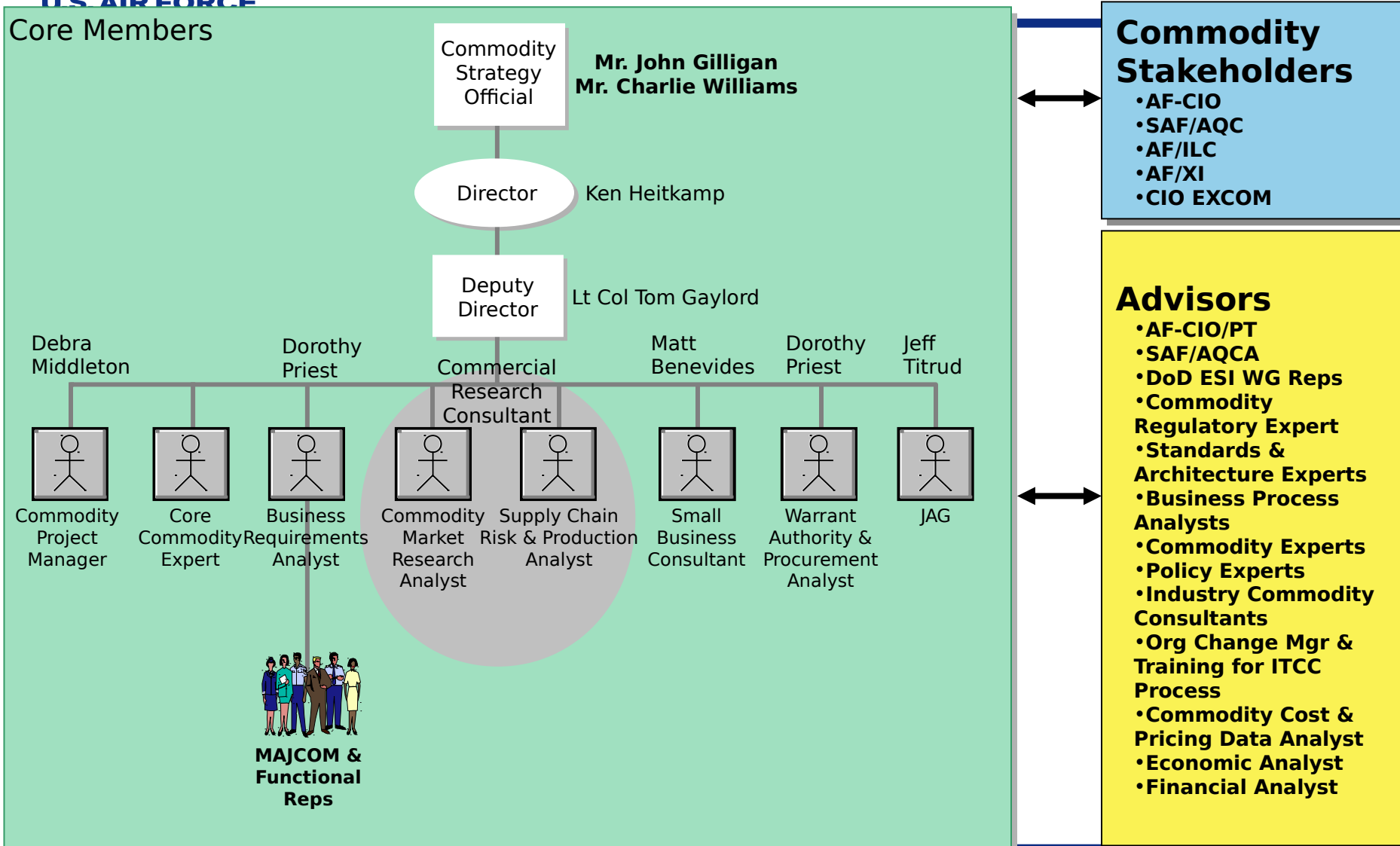
- **Develop strategies for IT**
  - **Establish socio-economic strategy**
  - **Establish commodity support strategy**
  - **Establish business rules**
- **Demonstrate measurable reduced acquisition cost**
- **Ensure alignment between Air Force policy and commodity strategy**
- **Ensure IT product agreements comply with critical technical standards**
- **Incentivize ITCC strategy compliance**
- **Achieve stakeholder buy-in and utilization of ITCC strategy**
- **Fulfill commodity user needs**
- **Rationalize the vendor base to obtain top performing vendors, highest quality products, at the best value for each commodity category**
  - **Reduce the number of redundant contracts per vendor**



# ITCC Organization

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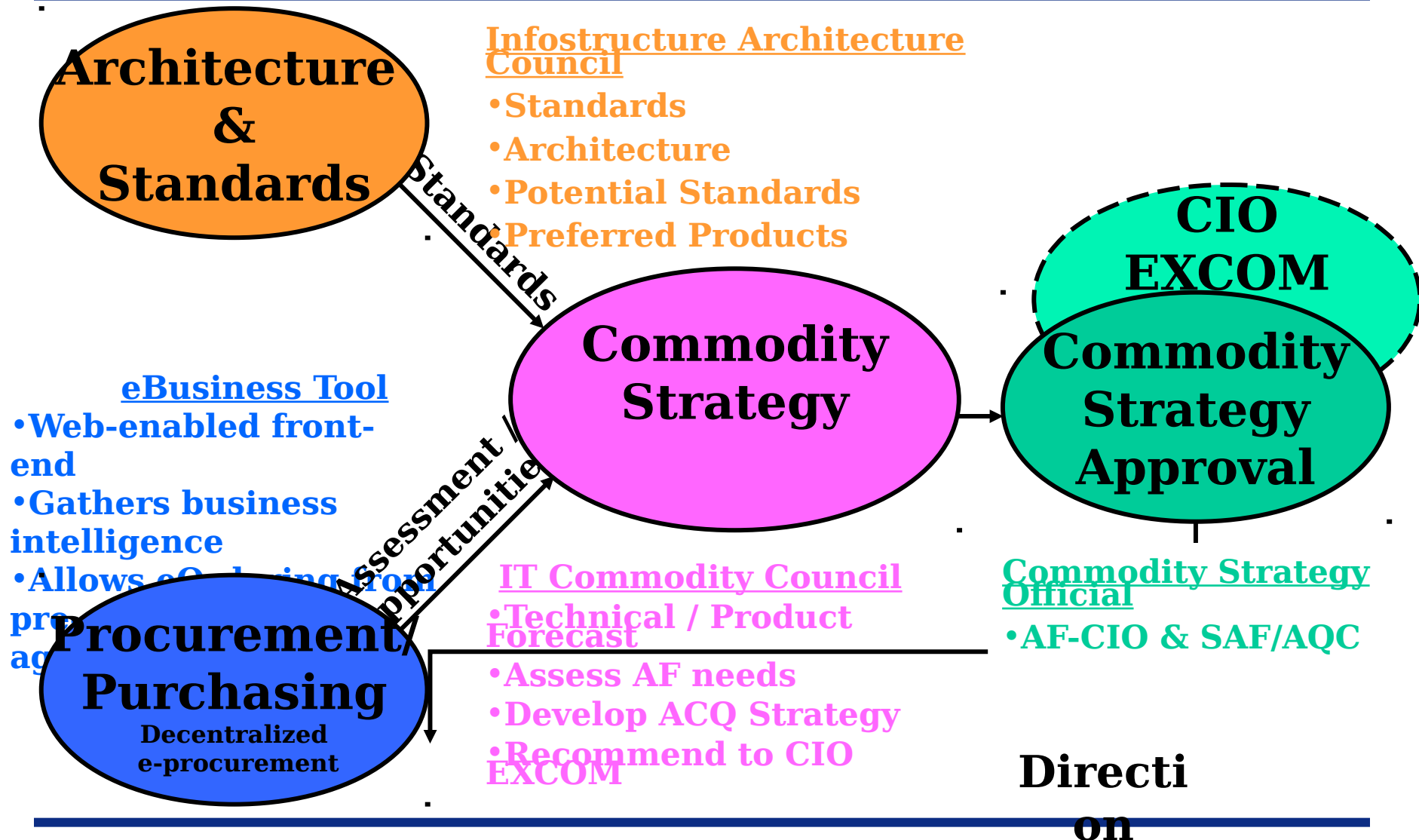
## Core Members





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# To-Be IT Purchasing Governance



IT Commodity Council—Leveraging AF Buying Power for the Warfighter





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# CONCEPT OF OPERATIONS

## *MAJCOM & Functional Participation*

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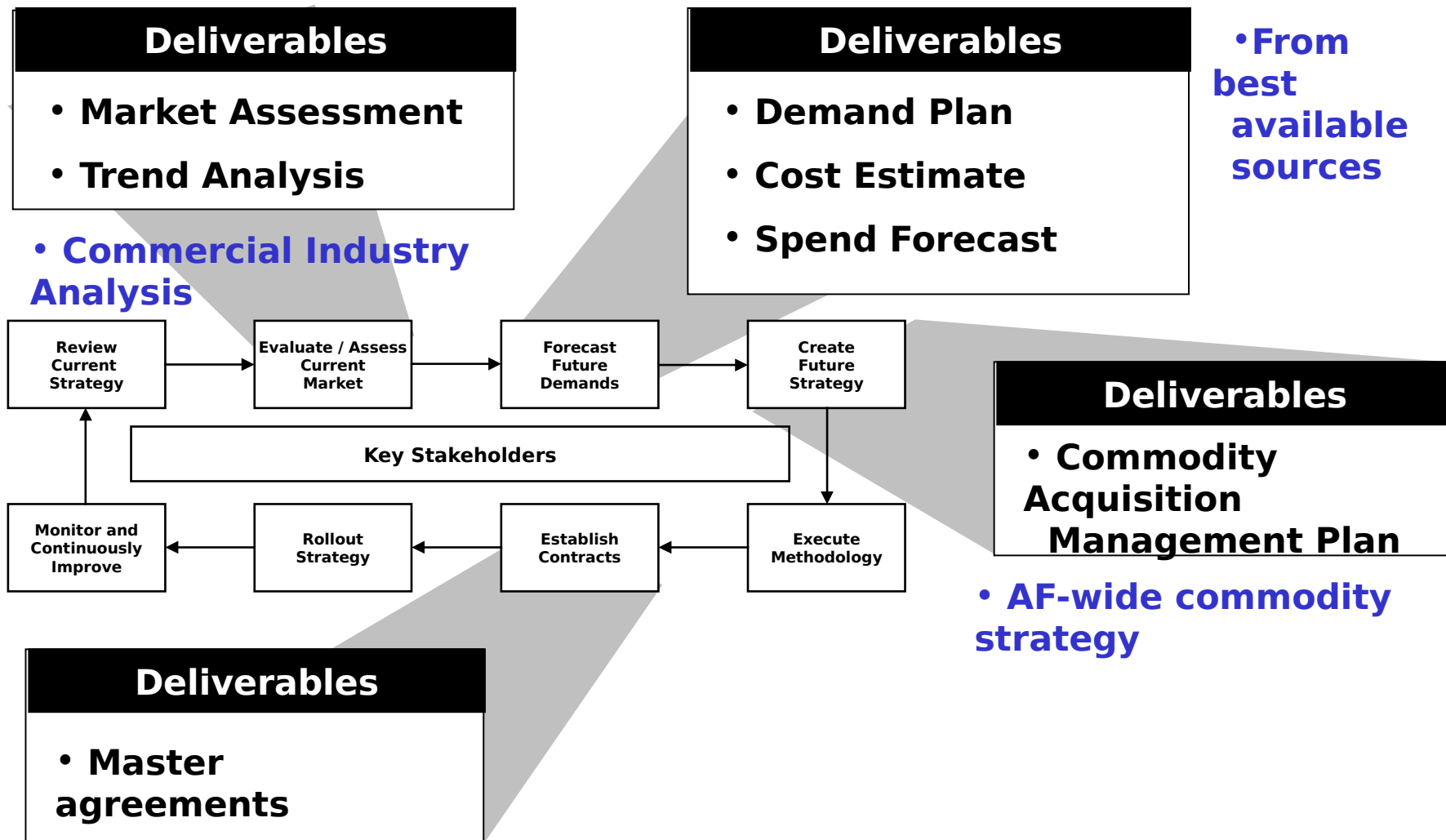
- Solicited participation at April CIO EXCOM
  - All MAJCOMs/Functionals welcome to participate
  - Request for POC's by 6 May
  
- POC Roles & Responsibilities:
  - Represent their organization on ITCC
  - Gather requirements
  - Provide functional subject matter expertise
  - Participate in commodity strategy development
  - Communicate & advocate commodity strategy



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# CONCEPT OF OPERATIONS

## *Our Products*

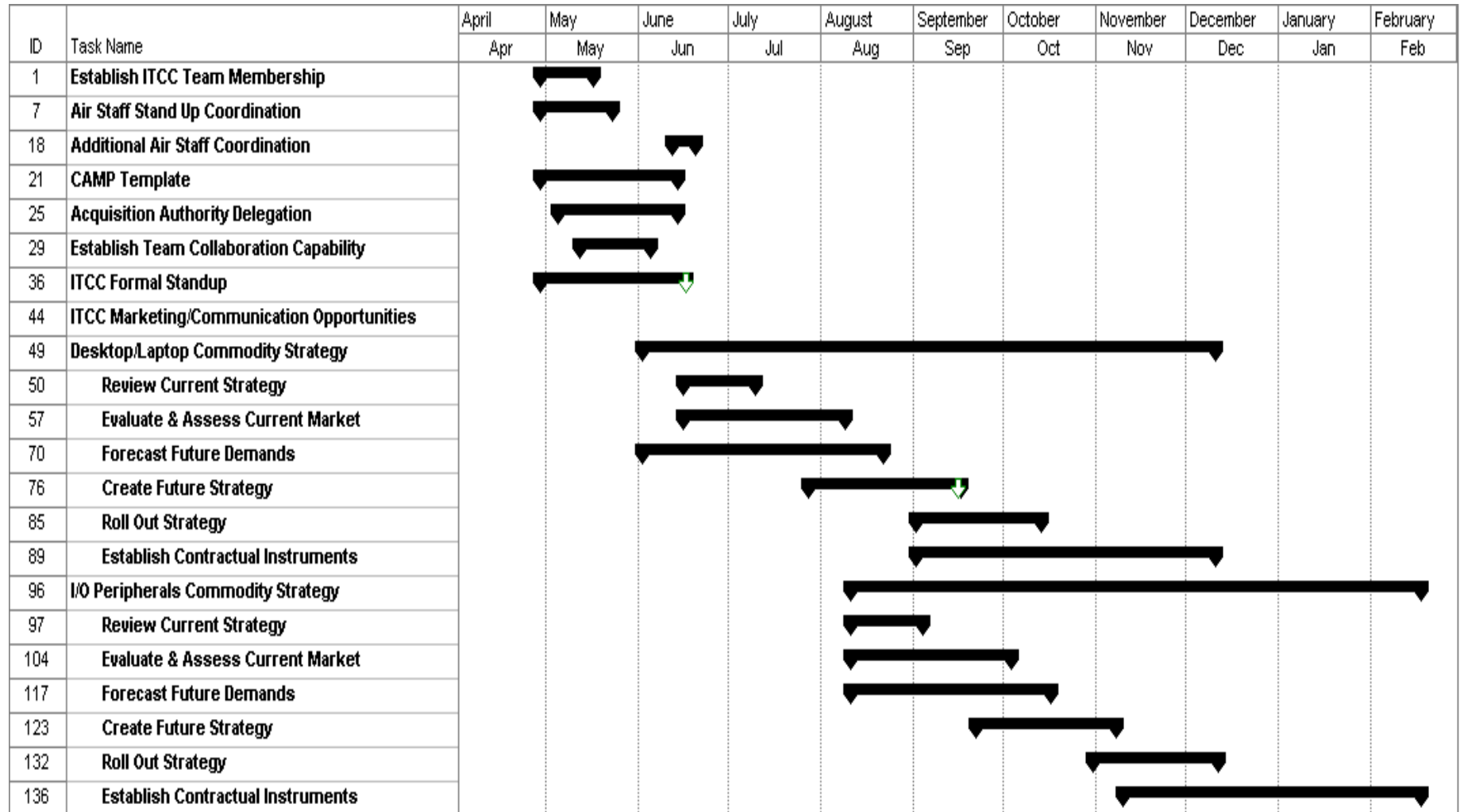




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# CONCEPT OF OPERATIONS

## *Planned Schedule*





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# CONCEPT OF OPERATIONS

## *Measures of Success*

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- ↑ **SAF/AQC & AF CIO Community Satisfaction**
- ↑ **MAJCOM CIO & MAJCOM LGC Satisfaction**
- ↑ **Cost savings** (focused on total cost of ownership)
- ↑ **Compliance**
  - **Increase use of enterprise agreements for IT buys**
  - **Training touch points**
  - **Incorporation of applicable technical standards**
- ↓ **# of contracts used by USAF to purchase IT**
- ↑ **Small business participation**
  - **# of small businesses participating**
  - **% of total sales to small business**
- ↓ **Contract lead-time**



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# Expected Support from SAF/AQC

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- **Authority to develop & implement AF-wide acquisition strategy for IT commodities**
  - **Acquisition Strategy approval delegated to CSO**
  
- **Streamlined acquisition documentation requirements (CAMP)**
  
- **Communicate to MAJCOM LGC's & other contracting officials to procure IAW implemented ITCC strategies**



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# Expected Support from AF-CIO

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- **Direct participation and support of EXCOM Community**
- **Direction to buy in accordance with approved ITCC commodity strategies**
- **Streamlined access to decision makers & commodity strategy documentation requirements**



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# **AF ITCC Next Steps**

- **2 May - Mr. Heitkamp announce team members**
- **9 May - Sign MOA**
- **9 May - SAF/AQC communicate ITCC approach to MAJCOM LGC's**
- **9 May - AF-CIO message requesting EXCOM Community participation**
- **14 May - Mr. Heitkamp meet with XIW and ILC (tentative)**
- **19 May - Name CIO community representatives**
- **21 May - Meet with Mr. Gilligan**
- **Jun - ITCC Team Kick-off**
- **15 Jun - SAF/AQC approve CAMP Template**
- **30 Jun - SAF/AQC issue CSO Delegation Letter**



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# Summary

- **HQ SSG committed to being the Air Force ITCC**
  - **Air Force's "Information Technology Center of Excellence"**
  - **Fits with HQ SSG's Core Competencies**
- **Ready to stand up ITCC in June**
- **Poised for quick success and positive impact on**
  - **Desktop/Laptops**
  - **I/O Peripherals**





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# BACKUPS



# IT Market Characteristics

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- **Rapidly changing technology**
- **Fluid vendor positioning in commodity groups**
- **A few component suppliers dominate some parts of the market (e.g., disk drives)**
- **Relatively low number of market leaders in commodity groups**
- **Narrow windows of discount opportunity**
- **Non-standard commercial practices (e.g., warranty, tech support)**
- **Just-in-time inventory (for suppliers as well as AF)**
- **Reseller vendor discounts impacted by buying power/volume (impacts small business)**
- **Aggressive business tactics of some vendors**
- **In some commodity groups, Small Businesses have difficulty competing (e.g., desktops, laptops)**



# AF Lessons Learned

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- **AF realizes that it does not drive market (i.e., “market follower”)**
- **AF needs to be responsive to frequent mergers, takeovers and poor performers**
- **Government mandates must be carefully used**
- **Align AF strategy w/ Small Business capability**
- **Deviation from commercial practices drives cost**
- **Tech refresh strategies must accommodate rapid technology advancements**
- **Be prepared to leverage various opportunities for significant discounts**
- **Allow prices to fluctuate with the Marketplace (prices increase *and* decrease)**
- **Ensure continuous competition to achieve best value**



# AF ITCC Constraints

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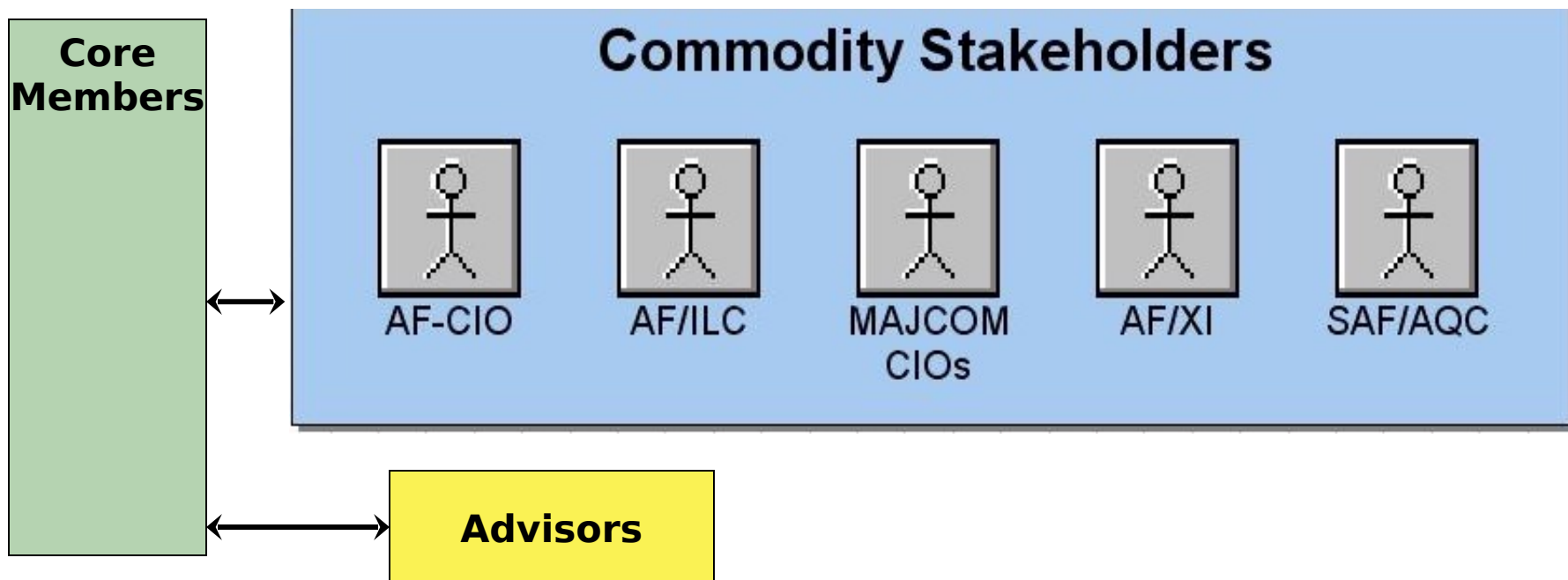
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- **Socio-economic goals limit flexibility (e.g., Small Business)**
- **Some public laws drive deviations from commercial practice**
- **Limited data available for analysis (e.g., inventory, spend data, reliability, uses)**
- **Decentralized funding**
- **Much of IT is still funded through O&M versus a capital expenditure**
- **Fractured governance**
- **New strategies will challenge major stakeholder preferences**
- **Huge sunk cost investment limits the ability to change and re-compete**



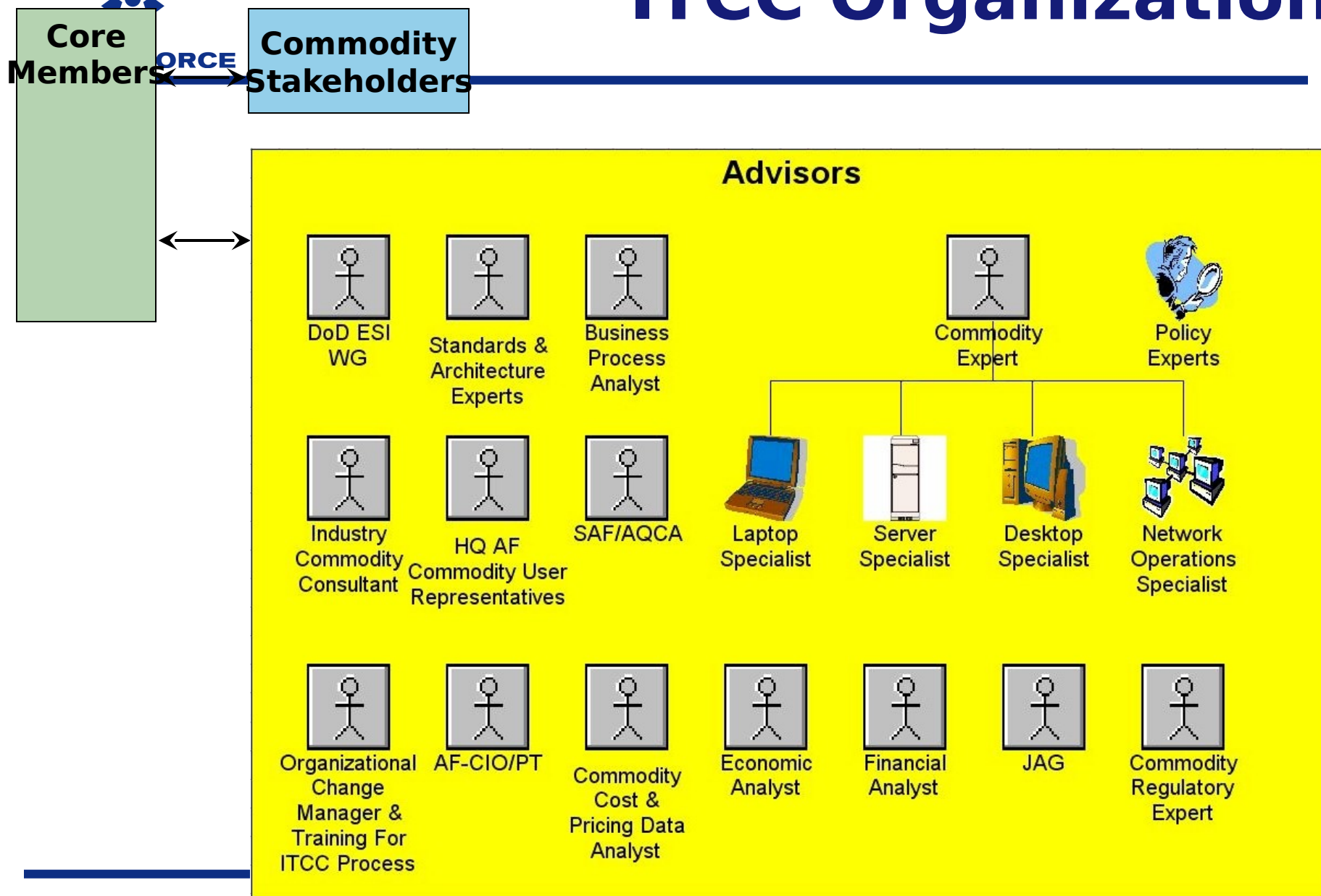
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# ITCC Organization





# ITCC Organization





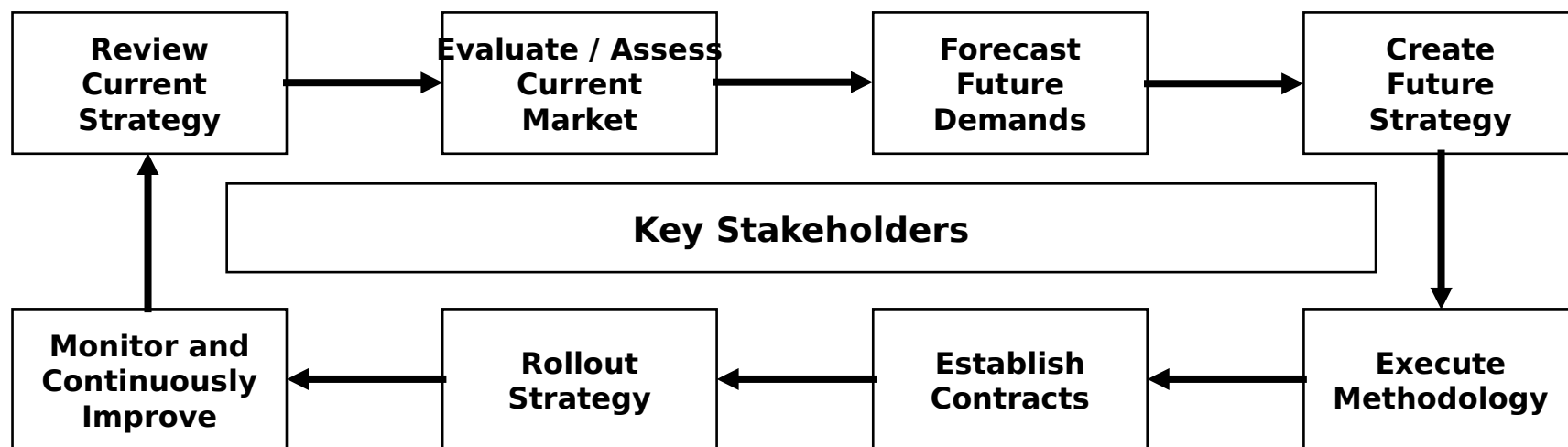
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# CONCEPT OF OPERATIONS

## *Process Overview*

- IT Commodity Council will have adequate cross-functional representation and will utilize a standardized process

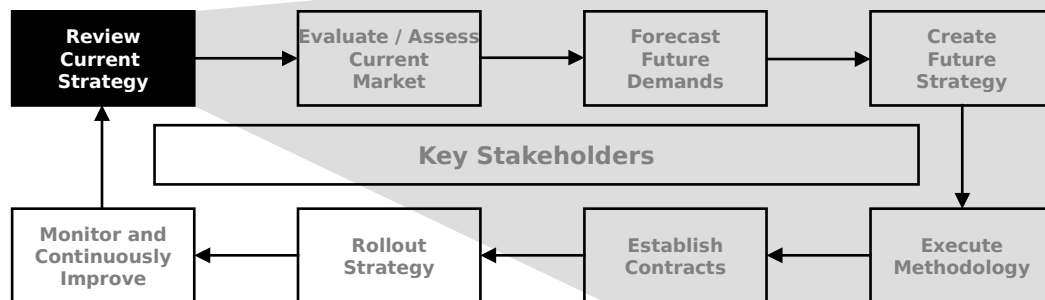
### IT Commodity Council Process





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# 1.0 - Review Current Strategy



## Deliverables / Tools

- Spend Analysis Report
- Current Strategy Report
- Leverage Analysis Report
- Draft Communication Plan
- Draft Implementation Plan

- 1.1 - Begin communication / implementation planning
- 1.2 - Conduct spend analysis
- 1.3 - Identify stakeholders
- 1.4 - Identify current initiatives / contracts
- 1.5 - Identify current policy and statutory requirements
- 1.6 - Detail current processes with users
- 1.7 - Document current metrics being tracked
- 1.8 - Hold review sessions with major users and suppliers
- 1.9 - Benchmark existing strategies
- 1.10 - Define leverage opportunities

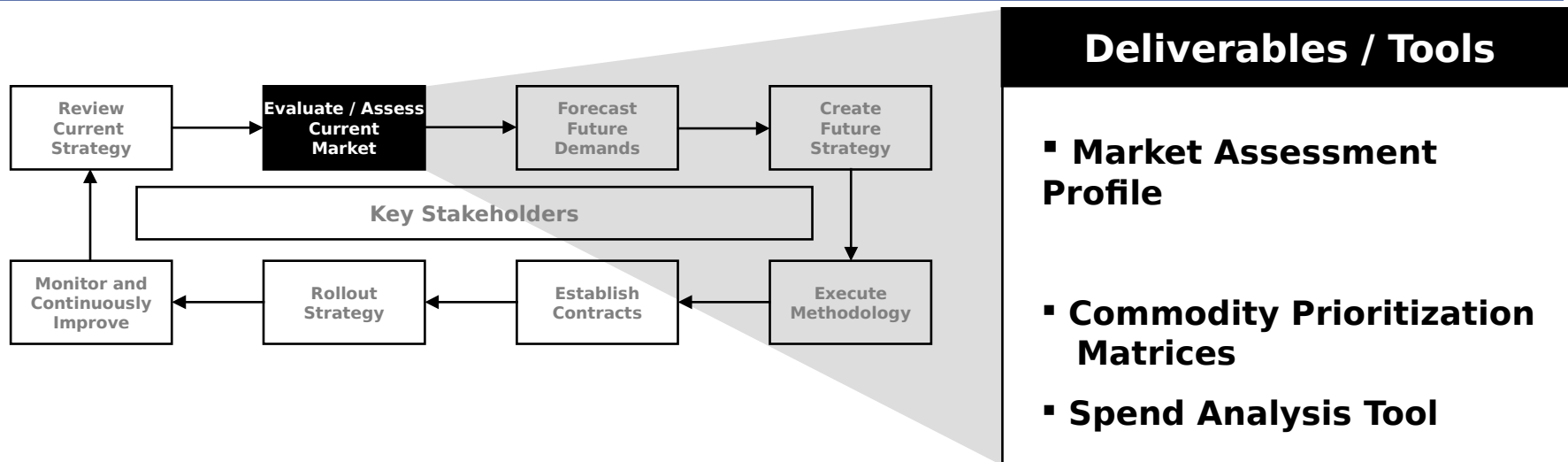
- Spend Analysis Tool





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## 2.0 - Evaluate / Assess Current Market

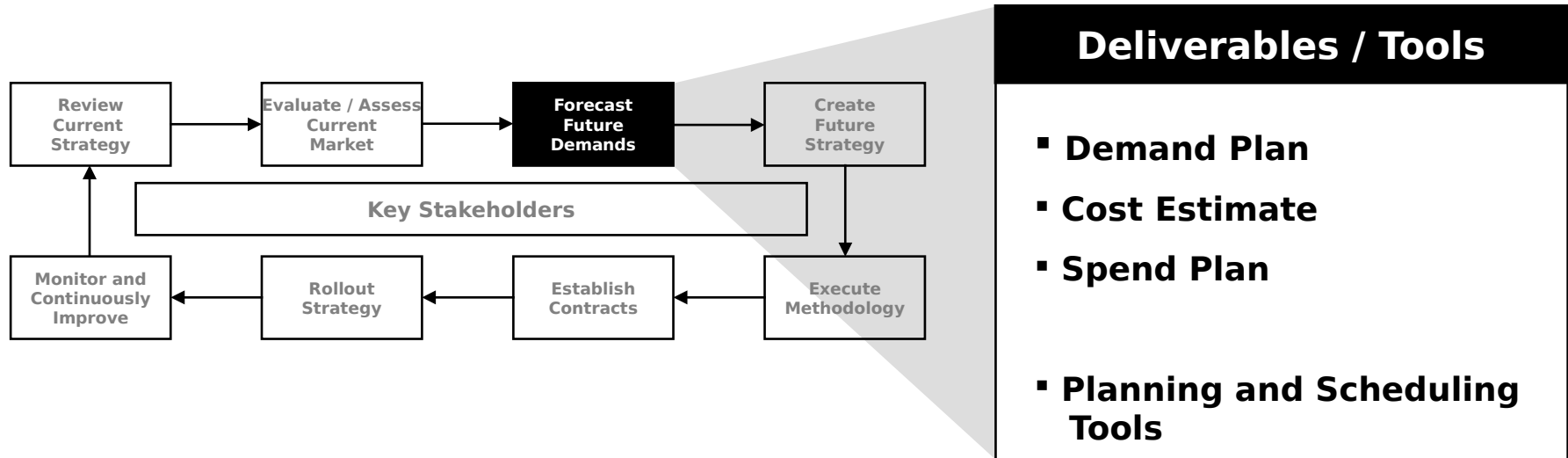


- 2.1 - Determine data sources
- 2.2 - Document market trends
- 2.3 - Analyze market for emerging suppliers / commodities
- 2.4 - Request information from leading suppliers
- 2.5 - Analyze suppliers' capacity / capabilities
- 2.6 - Determine market availability of commodities
- 2.7 - Stratify suppliers by socio-economic status
- 2.8 - Develop key industry cost drivers
- 2.9 - Evaluate current strategy against best practices



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## 3.0 - Forecast Future Demands

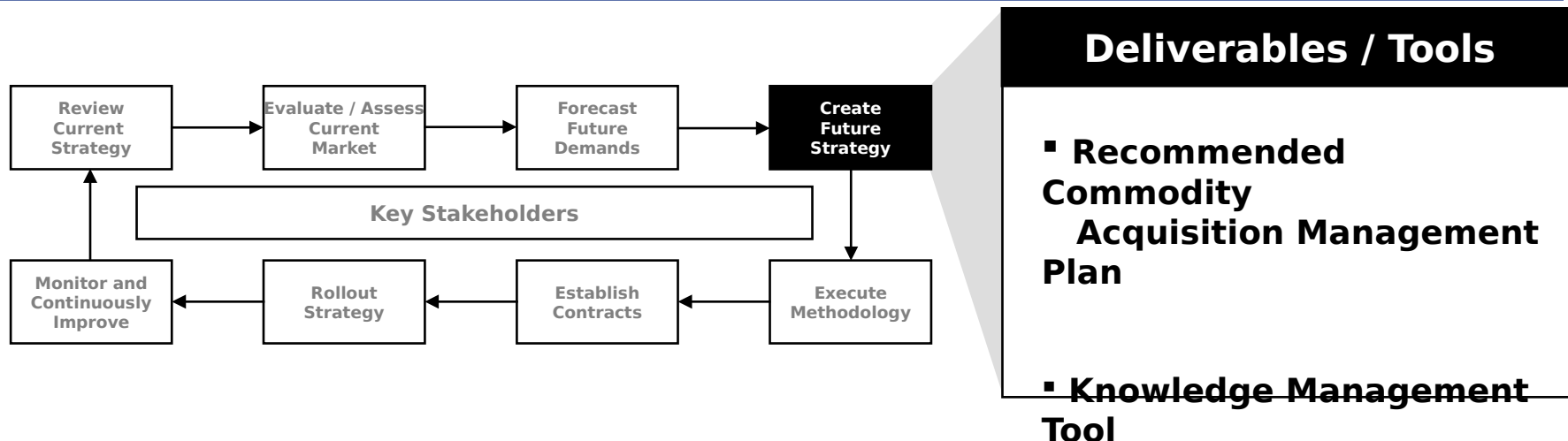


- 3.1 - Collect requirements information from stakeholders
- 3.2 - Develop customer-approved demand forecast
- 3.3 - Evaluate demand forecast against key cost drivers
- 3.4 - Establish cost estimate for demand forecast
- 3.5 - Analyze projected funding against demand forecast
- 3.6 - Determine spend projections
- 3.7 - Validate spend plan with stakeholders



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## 4.0 - Create Future Strategy



- 4.1 - Develop and prioritize commodity goals
- 4.2 - Analyze gap between existing strategy and goals
- 4.3 - Develop strategies for meeting specific goals
- 4.4 - Analyze spend plan against supply base capabilities
- 4.5 - Generate approved supplier recommendations
- 4.6 - Synchronize demand forecast and suppliers' capabilities
- 4.7 - Mitigate internal / external threats to supply chain stability
- 4.8 - Develop Commodity Acquisition Management Plan
- 4.9 - Establish stakeholder consensus